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**FILED**

NOV 21 2011

SECRETARY, BOARD OF  
OIL, GAS & MINING

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**BEFORE THE BOARD OF OIL, GAS & MINING  
DEPARTMENT OF NATURAL RESOURCES  
STATE OF UTAH**

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NOTICE OF AGENCY ACTION FOR AN ORDER REQUIRING MARION ENERGY TO PLUG AND RECLAIM WELLS; OR FORFEIT SURETY BOND AND AUTHORIZE THE DIVISION TO PLUG AND RECLAIM WELLS LOCATED IN TOWNSHIPS 13 AND 14 SOUTH, RANGE 7 EAST, CARBON COUNTY, UTAH; AND AN ORDER REQUIRING MARION ENERGY TO IMMEDIATELY COMPLY WITH THE NOTICE OF VIOLATION FOR THE WELLS LOCATED IN TOWNSHIPS 12, 13, AND 14 SOUTH, RANGES 7 AND 10 EAST, CARBON COUNTY, UTAH.

**JOINT MOTION TO CONTINUE  
HEARING**

Docket No. 2011-018

Cause No. 250-02

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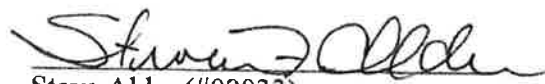
The Utah Division of Oil, Gas, and Mining (Division), by and through undersigned counsel and Marion Energy Inc. (Marion), through its undersigned counsel, and based on the attached Agreement For Resolution of Amended Notice of Agency Action (Agreement) seek a continuance of the hearing of this matter until January 25, 2012 in accordance with the terms and conditions set forth therein which provide that upon certain conditions the matter may be further continued and eventually dismissed or alternatively a judgment may be entered.

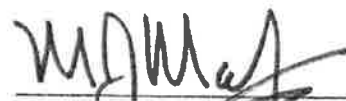
Pursuant to the Agreement, the Parties agree that if Marion provides information required by the Agreement the Division will file a request for a further continuance of the January 25, 2012 hearing until March 28 2012. However, if such information has not been provided, then the Division may seek an entry of judgment as prayed at the January 25, 2012 hearing. If the January 25, 2012 hearing is continued and the other conditions of the Agreement are satisfied by March 10, 2012 the parties expect that the matter will be dismissed. However, if the conditions are not satisfied by March 28, 2012, the Division may either file a further motion to continue the matter for thirty additional days or proceed with the hearing and be entitled to an Order for the relief as prayed.

Accordingly and pursuant to the Agreement, the parties hereby move the Board as follows:

1. To continue the hearing now set for December 7, 2011 until the January 25, 2012 Board hearing; provided however that the hearing on the Third Cause of Action regarding the Notice of Violation issued on August 23, 2011 shall not be continued until the Division separately moves for its continuance immediately upon its finding that Marion has addressed the items identified in the NOV and has filed all outstanding productions and completion reports pursuant to Paragraph 2 of the Agreement.

2. In the event the NOV and reports have not been satisfactorily addressed, the Board may proceed with the entry for a board order regarding the violations included in the Third Cause of Action including consideration of any penalties.

  
Steve Alder (#00033)  
Assistant Attorney General  
Counsel for Utah Division of Oil, Gas  
and Mining  
Dated: 11/18/11

  
Michael Malmquist (#5310)  
Parsons Behle & Latimer  
Counsel for Marion Energy, Inc.  
Dated: 11/18/2011

AGREEMENT FOR RESOLUTION  
OF  
AMENDED NOTICE OF AGENCY ACTION

The Utah Division of Oil, Gas and Mining ("Division") and Marion Energy Inc., ("Marion") in order to fully resolve the claims set forth in the Division's Amended Notice of Agency Action filed October 7, 2011 ("NOAA") hereby execute this AGREEMENT FOR RESOLUTION OF AMENDED NOTICE OF AGENCY ACTION ("Agreement") and agree to the following procedures and actions.

1. Upon execution of the Agreement the parties shall submit to the Board a joint motion for an additional continuance of the hearing of the Division's NOAA (Exhibit A) from the December 7, 2011 hearing to the January 25, 2012 hearing; provided that continuance of the Division's claims in the Third Cause related to the August 23, 2011 Notice of Violation shall be subject to the additional conditions set out in paragraph 2 of this Agreement.

2. Marion Energy shall immediately upon execution of this Agreement continue to address each of the deficiencies identified in the Notice of Violation dated August 23, 2011 ("NOV", Exhibit B) and shall also submit to the Division all past due production and well completion reports. The hearing on the Third Cause of the NOAA shall remain scheduled for December 7, 2011 at which time the Board may determine the need for a Board Order to address any of the violations and any penalties; provided however, that as soon as all of the items identified in the NOV have been satisfactorily addressed and outstanding production, disposal, and completion reports have been filed, the Division will immediately notify Marion and the Board and file a motion to continue further action pertaining to the Third Cause until the January 25, 2012 hearing.

3. Counsel for Marion and the Division shall appear at the December hearing to provide the Board with a brief presentation of the terms of this Agreement and address any questions from the Board.

4. Marion shall continue to pursue the recapitalization of its company by obtaining an audit of its financial condition from the most recent fiscal year, obtaining an independent evaluation of oil and gas reserves in its Clear Creek Field located in Carbon County, Utah and preparing a prospectus or similar informational document ("Prospectus") to be used for the purpose of obtaining additional capital investment for the purpose of further development of its Utah operations.

5. Marion shall submit to the Division a copy of the complete report by the independent evaluator of the results of its evaluation of the Clear Creek field reserves, and a copy of the Prospectus, as soon as they are complete. The Division will protect from disclosure any of the submitted materials that are identified by Marion as being confidential business information, to the extent allowed by applicable law. Upon receipt and review of these documents, the Division shall file a motion to continue the hearing of the NOAA until the regularly scheduled March Board hearing (on or about March 28, 2012). In the event the Prospectus has not been published

by the date of the January hearing, the Division shall be entitled to the entry of a Board Order requiring the plugging of the wells as requested in the NOAA and such other relief requested in the NOAA as may be appropriate. However, if Marion demonstrates to the Division's satisfaction that the Prospectus has been temporarily delayed despite Marion's best efforts, and is expected to be published within a reasonable time then a thirty day extension may be granted.

6. No later than January 10, 2012, Marion shall submit to the Division a proposed Plan of Operation that outlines future actions on the Clear Creek field. The Plan of Operation will include:

(a) An assessment of the existing non-federal wells in the Clear Creek field, including those wells addressed in the NOAA. The assessment will determine Marion's plans and criteria for either plugging and abandoning the wells or bringing them into production in paying quantities;

(b) A written assessment by a professional engineer of the Clear Creek field's water injection pipeline's design, engineering, and operational viability, and a plan for addressing any deficiencies if the engineer concludes the pipeline is out of compliance with applicable standards. The written assessment will rely on and include the plans or drawings utilized by the contractors who designed and built the pipeline, to the extent Marion is able to obtain such documents using good faith efforts; and

(c) A description of other work Marion needs to complete at the Clear Creek field to successfully plug and reclaim or begin production.

7. Upon receiving and reviewing the submitted Plan of Operation, the Division will either approve the Plan of Operation or issue a request for additional information, which Marion will answer before the January hearing.

8. No later than the January Board hearing, Marion shall also provide the Division with a report detailing Marion's intended actions to comply with (a) the notice of violation issued by the Utah Division of Water Quality; (b) the Bureau of Land Management and U.S. Forest Service's concerns regarding the operation of the water pipeline across federal public land; and (c) the concerns of Carbon County regarding the operation of the disposal wells in compliance with Marion's conditional use permit.

9. Upon funding of the recapitalization pursuant to the Prospectus, or no later than March 10, 2012, the parties shall execute a separate Plan of Operation that shall incorporate the initial Plan of Operation prepared pursuant to paragraphs 6, 7, and 8 of this Agreement, setting forth deadlines for Marion to commence and complete the work and providing for the Division to bring an action before the Board to enforce the terms therein in the event of a breach of the agreement.

10. In the event that the recapitalization pursuant to the Prospectus is not funded by the date of the March Board hearing the Division may at that hearing either: (a) move to continue the matter for thirty additional days if there is a reasonable basis for funding within that time; or (b) submit the matter for the next upcoming Board hearing and at such hearing the Division shall be

entitled to entry of Order for plugging of the wells, and other relief requested, and the request for bond forfeiture and civil penalties shall be set for hearing at the next regularly scheduled hearing of the Board.

11. Upon execution by the parties of the Plan of Operation pursuant to paragraph 9 of this Agreement and funding of the recapitalization for the company pursuant to the Prospectus, including funding for work in the Plan of Operations, the Division shall file a motion for Dismissal of the NOAA with prejudice and the matter shall be dismissed.

12. Resolution of the other outstanding Notices of Violation that have been issued to Marion, besides August 23, 2011 Notice of Violation, shall be addressed in the Plan of Operation pursuant to Paragraph 9. In the event Marion does not maintain a consistent field presence pursuant to the Oil and Gas Conservation Act and rules (U.A.C. R649-3-15) and the August 23, 2011 NOV, the Division may seek an order determining that the lack of field presence constitutes a breach of this Agreement in addition to other remedies.

Agreed to on the date executed as shown below.

**UTAH DIVISION OF OIL, GAS, AND  
MINING**

  
Name: John Rogers

Its: Associate Director

Dated: Nov. 18, 2011

**MARION ENERGY INC.**

\_\_\_\_\_  
Name: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

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**UTAH DIVISION OF OIL, GAS, AND  
MINING**

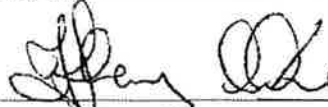
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Name: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

**MARION ENERGY INC.**

 \_\_\_\_\_

Name: JEFFREY CLARK

Its: DIRECTOR

Dated: 11 | 17 | 11

## CERTIFICATE OF SERVICE

I hereby certify that I caused a true and correct copy of the foregoing **JOINT MOTION TO CONTINUE HEARING** for Docket No. 2011-018, Cause No. 250-02 to be mailed with postage prepaid, this 21st day of November, 2011, to the following:

Michael Malmquist  
Parsons Behle & Latimer  
Counsel for Marion Energy  
201 South Main Street,  
Suite 1800  
Salt Lake City, UT 84111

Michael S. Johnson  
Assistant Attorneys General  
Utah Board of Oil, Gas & Mining  
1594 West North Temple, Suite 300  
Salt Lake City, UT 84116  
**[Via Email]**

Steven F. Alder  
Assistant Attorneys General  
Utah Division of Oil, Gas & Mining  
1594 West North Temple, Suite 300  
Salt Lake City, UT 84116  
**[Via Email]**

Marion Energy Unlimited  
C/o Mr. Keri Clarke  
PO Box 1518  
Allen, Texas 75013-0026  
**[Address updated 10/17/2011]**

Marion Energy Unlimited  
136 East South Temple Suite 2100  
Salt Lake City, UT 84111  
**[Undeliverable]**

U.S. Specialty Insurance Company  
13403 Northwest Freeway  
Houston, Texas 77040

  
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